MORTGAGE BANKERS ASSOCIATION
Investing in communities

STATEMENT

of

Mike Fratantoni

on

“Community Solutions for the Prevention

of and Management of Foreclosures”

August 23, 2006

before the

House Committee on Financial Service

United States House of Representative

Mr. Chairman and Members of the House Financial Services Committee, thank you for allowing me to present the views of the Mortgage Bankers Association (MBA)[1] at today's hearing. I am Michael Fratantoni, Senior Director, Single-Family Research and Economics at MBA in Washington, DC. While foreclosures unfortunately do occur, it is important to understand the causes and trends of foreclosures in their proper context. At the conclusion of my testimony I want to leave the Committee with four key points:

- The same economic factors that have caused mortgage delinquencies and foreclosures throughout history continue today. At the national level, delinquency and foreclosure rates are currently low, but we expect that they will increase modestly over the next few years. Delinquency and foreclosure rates in Ohio and much of the Midwest have been elevated over the past few years due to a weakened regional economy and the resulting job losses.

- Mortgage lenders stand to lose financially when loans do not perform, and thus have significant incentives to prevent foreclosures. Historically, on a national basis, mortgage lenders' loss mitigation efforts have helped three out of four borrowers who enter the foreclosure process avoid a foreclosure sale.

- Different borrowers get different mortgage rates based upon objective credit criteria. The Federal Reserve, in its last analysis of Home Mortgage Disclosure Act data, confirmed that objective credit criteria account for the overwhelming majority of pricing disparities. Studies that attempt to paint the industry with a broad brush regarding discriminatory pricing practices are flawed and do not stand up to scrutiny. Legislative efforts to restrict lending practices or credit standards invariably reduce credit availability.

- Borrowers need to educate themselves about the process and about the range of available mortgage products and learn to take advantage of the highly competitive nature of the mortgage industry.

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[1] **The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 500,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 3,000 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.**

Delinquencies and Foreclosure Trends

I would like to begin with a few comments regarding the US mortgage market. First, the mortgage market is thriving. More Americans own homes than ever before – due in large part to risk-based pricing and product innovation. As a result, Americans are building tremendous wealth. According to the Federal Reserve's own Flow of Funds data, the value of residential real estate assets owned by households has increased from $10.3 trillion in 1999 to $20.4 trillion as of the first quarter of 2006, and aggregate homeowners' equity now exceeds $10 trillion. According to the 2004 Survey of Consumer Finances, the median net worth for homeowners was $184,000. For renters, it was $4,000. Clearly, many homeowners have been successful in accumulating wealth, both by steadily building up equity through their monthly payments, and through the impressive rate of home price appreciation we have seen in recent years.

The second important point is that, at the national level, default and foreclosure rates are low. Some argue that default and foreclosure rates are at crisis levels and that a greater percentage of borrowers are losing their homes. MBA's data do not support this – in fact they tell quite a different story.

Mortgage delinquencies are still caused by the same things that have historically caused mortgage delinquencies: "life events," such as job loss, illness, divorce, or some other unexpected challenge. Foreclosures following delinquencies may be caused by the inability to sell a house due to local market conditions after one of the above items has occurred.

As shown in Chart 2 of the Appendix, MBA's first quarter 2006 National Delinquency Survey (NDS) found that the percentage of loans in the foreclosure process was 0.98 percent at the end of the first quarter, a drop of one basis point from the fourth quarter of 2005, while the seasonally adjusted rate of loans entering the foreclosure process was 0.41 percent, one basis point lower than the previous quarter. The delinquency rate for mortgage loans on one-to-four-unit residential properties stood at 4.41 percent at the end of the first quarter, down 29 basis points from the fourth quarter of 2005.

Compared with the first quarter of 2005, the percentage of loans in the foreclosure process was down 10 basis points and the percentage of loans entering the foreclosure process was down one basis point. The seasonally adjusted delinquency rate was up 10 basis points from one year ago. The NDS results for the first quarter cover over 41.3 million loans (31.4 million prime loans, 5.6 million subprime loans and 4.3 million government loans).

The economy grew at a brisk 5.6 percent pace in the first quarter of 2006, and labor markets were quite strong as well, with an average of 176,000 jobs added per month. Within this context, the housing market was normalizing with a declining pace of new and existing home sales, and slowing rates of home price appreciation. As in prior quarters, a number of factors including, the aging of the loan portfolio, increasing short-term interest rates, and high energy prices are putting upward pressure on delinquency rates. The strong economy and labor markets are offsetting positive factors that were particularly important in the first quarter.

Going forward, we expect these same factors will continue to be important, including the fact that the Federal Reserve may need to raise rates further to keep inflationary pressures contained. In any event, additional modest increases in delinquency and foreclosure rates are likely in the quarters ahead.

In addition to the national level trends, the two maps in the appendix show how delinquency and foreclosure rates varied across the country in the first quarter. With respect to delinquencies, the Gulf Coast continued to experience the highest delinquency rates in the country. With respect to foreclosures, states in the Midwest had the highest rates due to the continuing slow pace of job growth and weak housing markets.

Regional

In the East North Central (Illinois, Indiana, Michigan, Ohio and Wisconsin) and the East South Central (Alabama, Kentucky, Mississippi, and Tennessee), census divisions, delinquency and foreclosure rates have remained at historically high levels.

The most important driver for these areas' elevated serious delinquency rates is the persistent loss of employment, especially manufacturing employment. The main factors contributing to job losses in the sector include rapid productivity growth, increased international competition and a shift in demand structure, which substitutes imports for some domestically produced goods. Given that these factors will continue to be at work in a growing global market, a large portion of the job cuts in recent years could represent permanent layoffs that will only gradually be offset by job creation in other sectors in the economy. This suggests that the areas' delinquency rates could remain elevated for some time.

To expand upon this explanation, there are a number of factors that can be identified as being responsible for the elevated serious delinquency rates in these areas.

Loss of employment is one of the most common unanticipated shocks to household finances. All of the states in the East North Central and East South Central continued to suffer job losses from their peak employment prior to the recession in 2001. In addition, these states are among the most concentrated in manufacturing in the nation. Through a vast improvement in productivity growth and increased globalization, it is likely that manufacturing employment will remain soft in the coming years.

Many low-income households have few or no financial assets to cushion them in times of financial difficulties- putting them at risk of being delinquent or of defaulting on their mortgages. The East North Central's median income is somewhere in the middle of the nation's, while the East South Central has maintained the lowest median income in the nation.

A high level of homeownership is a sign of strength for a local economy. However, in the midst of a significant regional downturn, homeowners, who are typically less mobile than renters, may have difficulty making their mortgage payments, leading to delinquency and potentially foreclosure. Homeownership rates in the East North Central and the East South Central divisions are considerably higher than the national average. In many states, the gap between the state's homeownership rate and the national average has grown even wider, partly because of increased access for lower-income households. In general, new homebuyers have not had time to accumulate equity in their homes and tend to carry higher levels of non-mortgage debt. Thus, new homeowners typically lack the cushion to continue paying mortgage payments during a financial crisis or an economic downturn and are more susceptible to default and foreclosure.

Areas with very strong home price appreciation have lower foreclosure rates. If home price appreciation is strong, the odds of having a mortgage loan exceeding the value of a home are lower. Thus, borrowers who lose their jobs or face some other shock are more likely to sell their home and prepay the loan rather than go into foreclosure. In addition, strong home price appreciation provides an opportunity for borrowers to liquefy equity in the home in a time of financial distress, reducing the likelihood that the borrowers would become delinquent or would default on the loan. These areas of the country have had the lowest home price gains in the nation in the past several years.

Areas that are growing, either due to strong labor markets or because they are popular retirement destinations, will have strong housing and mortgage markets. Population growth, if very strong, could partly compensate for weak labor markets. By contrast, areas that are losing population are more likely to experience home price declines and rising foreclosure rates.

On average, loans with a high loan-to-value ratio (LTV) are riskier than lower LTV ones. Borrowers with little equity in a home can walk away more easily from their homes, putting lenders more at risk. Furthermore, when the LTV is high, there is increased risk that the home value could fall below the loan balance, creating a negative situation during the early years of the loan. The average LTVs of loans in most states in the two divisions are significantly higher than the national average.

Market analysts and others have examined other factors. However, these remaining factors are not as significant drivers as those listed above. The serious delinquency rates for subprime loans are significantly higher than for prime loans. The trends of subprime loan shares in the majority of the states in the two divisions are similar to the national average or even lower. However, in Indiana and Ohio, the subprime shares are significantly higher than the national average, with Ohio's share ranking the fourth highest in the nation in the second quarter, compared with seventh for Indiana. Another consideration is that borrowers in distressed areas are more likely to have blemished credit as a result of the regional downturn. An increased frequency of job loss and other economic dislocations have led to a greater number of borrowers being unable to qualify for prime credit. Thus, the increase in the subprime share of the market is a result, not a cause, of the increasing delinquency and foreclosure rates.

Adjustable rate mortgages (ARMs) present additional credit risk in an environment of rising interest rates due to the potential for payment shock. Historically, delinquency rates on ARMs have been higher than those on fixed rate mortgages but ARMs provide many homeowners with financial flexibility and affordability in the early years of a loan. The ARM shares in most states in the two divisions were lower than, or comparable, to the national average over the last several years. However, it is important to remember that ARMs increase affordability, because they provide borrowers with lower initial payments, although with the tradeoff, payments will have greater variability over time.

A 2003 Federal Reserve Board working paper notes that, on average, foreclosures in judicial foreclosure states take 148 days longer than non-judicial foreclosure states. [2] Because it takes longer for foreclosures to be handled in the judicial states, their inventories at the end of each period tend to be higher. Every state in the East North Central is a judicial foreclosure state.

Troubles in Cuyahoga County

The foreclosure trends in Ohio, and specifically Cuyahoga County, are quite troubling. The reasons for these trends include a decline in the number of jobs in the county and a weakened housing market that in MBA's experiences, are in line with traditional causes of foreclosures.

From 2004 to 2005, Ohio saw a 6 percent increase in the number of foreclosures, and Cuyahoga County saw nearly 11,000 in 2005 alone, which is a significant increase from 2,582 in 1995.

An August 2005 report by the county commissioners', Commissioners Report and Recommendations on Foreclosures, states the causes as a "loss of stable,

[2] Karen Pence. 2003. "Foreclosing on Opportunity: State Laws and Mortgage Credit." Federal Reserve Working Paper #2003-16.

living wage jobs" and "fraudulent lending practices by unscrupulous and unregulated brokers." Although there are certainly rogue brokers around the country, it is unlikely that predatory lending practices, which are illegal, are the primary reason for the area's significant increase in foreclosures and delinquencies. There are clear indications that Cuyahoga County is facing economic instability.

A January 2006 report, the Northeast Ohio Employment and Wage Trends: Economic Brief, which is produced by the Center for Economic Development at Cleveland State University's Maxine Goodman Levin College of Urban Affairs, indicated that Cuyahoga County, which accounts for 40 percent of Northeast Ohio employment, saw a decrease of 2 percent in total employment (-14,908 jobs). While Cuyahoga saw this decline from the first quarter of 2003 through the same period in 2005, the surrounding counties all showed an increase in total employment in the same two-year period; Lorain County 0.7 percent, Medina County 5.4 percent, Summit County 3.4 percent, Portage County 4.0 percent, Geauga County 6.7 percent, and Lake County at 3.0 percent. It is a reasonable to conclude that these jobs losses are a key factor for the increased number of foreclosures.

The Council for Economic Opportunities in Greater Cleveland, a private non-profit organization, which serves low-income people in Greater Cleveland and Cuyahoga County, released a report, The State of Poverty in Ohio 2005. The report states that Cuyahoga County lost 71,375 jobs from 2000-2004 or 8.8 percent of its total employment. To put this in perspective, the report says, "one out of every eleven Cuyahoga jobs vanished." Many of these job losses have been in manufacturing, which has affected the suburban areas of Cleveland. In addition, the Council's report says the "Cleveland has the *highest* current poverty rate among all United States cities."

The Foreclosure Process, Loss Mitigation, and Foreclosure Prevention

There are many false claims about mortgage lenders profiting from foreclosures. In reality, every party to a foreclosure loses – the borrower, the immediate community, the servicer, mortgage insurer and investor. It is important to understand that profitability for the mortgage industry rests in keeping a loan current and, as such, the interests of the borrower and lender are mostly aligned. The Fed study cited earlier notes that, "estimated losses on … foreclosures range from 30 percent to 60 percent of the outstanding loan balance because of legal fees, foregone interest, and property expenses."

A home foreclosure is a multi-step process with a notice of default letter being the first step. Several things happen before a foreclosure sale takes place. In most instances, the borrower brings the note current, negotiates a payment plan, or sells the house and pays off the mortgage. If these options are not possible, the borrower can turn the house over to the lender in lieu of foreclosure.

Otherwise, the house is acquired by the lender in a foreclosure, returned to marketable condition and sold. These types of sales only take place in about 25 percent of all loans that enter the foreclosure process. In the remainder of the cases, either the borrower pays off the arrears through an agreed upon payment plan with the lender, or sells the home.

Rates of foreclosure vary as different groups measure foreclosures at different steps of the process. MBA looks at when the foreclosure action is initiated. Some firms look at the foreclosure sales, while others look at the foreclosed homes up for sale. These companies are interested in (and make money by) marketing foreclosed properties to investors. They typically are less interested in gauging the overall health of the mortgage market, which is MBA's goal with the National Delinquency Survey.

In order to understand the health of the mortgage market and capture credit conditions, one has to look at the market the way in which MBA does. Many other measures simply reflect certain parts of the process, and can vary significantly based on local conditions. It is important to consider changes in the percentage of foreclosure sales or foreclosed homes for sale in the proper context. Because homeownership has increased so much across the nation, there are many more loans outstanding and therefore the number of foreclosures will increase. One must look at the percentage of foreclosures against historic norms. Even with the expansion of credit availability with the growth of the subprime market, foreclosures are well below their historic highs and will not have a macroeconomic impact.

Once the borrower has obtained a mortgage and the originator has closed the mortgage, the main objective for the mortgage servicer is to keep the loan current. If a loan is terminated through foreclosure, the servicer does not continue to receive the servicing fee (the primary source of a mortgage company's income). The standard servicing fee for a Fannie Mae/Freddie Mac loan is 1/4 of 1 percent of the principal balance, or $250 for a typical $100,000 loan per annum. Servicers, otherwise, do not retain the principal or interest (P&I) payment the borrower makes. That is passed on to the ultimate investor.

In addition to losing the servicing income for the asset, servicers must pay out costs when the loan is delinquent. The servicer must:

- Advance interest & principal to the investors (despite not receiving payment from the borrower);
- Advance taxes and insurance payments;
- Pay for court costs and foreclosure attorneys fees;
- Pay for bankruptcy attorneys and court costs if applicable; and
- Pay for property inspections and property preservation work

To make principal, interest, tax and insurance advances, mortgage companies have to borrow the funds or it comes from their capital. This borrowing or capital cost can reach in the millions of dollars per company, as many lenders experienced after Hurricane Katrina.

In some cases, the servicer gets reimbursed 100 percent for the advances and out of pocket expenses and in other cases they do not. For example, FHA only reimburses 2/3 of the servicer's out of pocket expenses (e.g. property inspections, property preservation expenses) and sets minimums for foreclosure and bankruptcy costs that often do not cover the expense incurred by the servicer.

Mortgage companies have recognized the impact of foreclosures on their bottom lines and over the last ten year have developed innovative techniques to help borrowers resume payments. These options have proven successful both for the homeowner and servicers.

If a homeowner misses a payment and becomes delinquent, the mortgage servicer will contact the homeowner in order to help that borrower to resume payments. There are many options that precede a foreclosure and they are referred to as loss mitigation. Among the loss mitigation options that may be available to borrowers and lenders are:

- Informal forbearance plan, which is typically a verbal repayment agreement between the lender and borrower with duration of 3 months or less;
- Delinquent refinance, in which borrowers who are no more than two months behind in their payments may be able to refinance to lower rate, add their arrearage to the debt and resume mortgage payments;
- Special forbearance, which is a written longer term repayment agreement between a lender and a borrower that contains a plan to reinstate a loan that has been delinquent for at least 90 days; and
- Loan modification, in which there is a permanent change in one of the terms (e.g., rate change, capitalization of delinquent amounts; extension of term) of a borrower's loan that allows the loan to be brought current.

Should the borrower be unable to resume making payments on the mortgage debt and the foreclosure on the property becomes inevitable, the borrower may still benefit from options other than foreclosure. One such option is a pre-foreclosure sale of borrower's home. In this situation, the lender agrees to accept sales proceeds that are less than that which is required to satisfy the mortgage debt. And second, there is Deed-in-Lieu of Foreclosure, by which the borrower voluntarily deeds the property to the servicer in exchange for a release from the mortgage lien.

Public Policy and Mortgage Pricing

MBA has long been committed to the eradication of predatory lending from the marketplace and enhanced protections for consumers. States and localities have enacted over 30 widely different anti-predatory lending standards to protect borrowers. While MBA recognizes that these initiatives are well intended, the creation of widely disparate and overbroad standards limits mortgage lending and loan terms; creates a significant compliance burden on lenders; increases their exposure to liability and increases the cost of homeownership.

Legislative and regulatory efforts to tighten lending or credit standards will often reduce credit availability. The debate centers on the appropriateness of different financing arrangements for each individual borrower and the decision making process that leads to the borrower choosing a particular financing option. In order to engage in the debate, policymakers must first understand the broad array of lending or credit provisions that are available; then anticipate the widely varying needs and financial histories of borrowers, and evaluate how new laws may reduce available credit options.

For example, if 5 percent of the people with a marginal credit profile default, and you act to eliminate the credit provisions that make it possible to loan to those people, you have now cut off credit to 95 percent of the people who would have otherwise preformed well. It is obviously very important not to legislate by anecdote. Policymakers must ensure that attempts to solve relatively small problems do not create bigger ones that may in turn jeopardize the successful American model of mortgage financing.

The lending industry does not condone discrimination and, in fact, we make extraordinary efforts to ensure fair access to affordable credit. The lending industry is highly competitive and seeking potential customers. It is entirely possible that out of the thousands and thousands of loan officers out there, there may be some who discriminate, but those are the ones we too want to identify and censure.

No one has been able to identify or quantify predatory lending in a consistent manner, nor demonstrate in a credible manner that allegedly improper lending practices have had a measurable effect on delinquencies. Studies that purport to show discrimination at an industry level fail to do so for two reasons. First, credit risk factors are associated with socioeconomic factors that are well known to differ across racial and ethnic groups. The result is that certain credit risk factors are statistically correlated with race, thus making it appear statistically that race and ethnicity are a factor in loan pricing. And, second, some of the studies on this subject that have been issued, such as the Center for Responsible Lending study, simply leave out some of the known risk factors.

To the extent any of these missing variables are correlated with race, race then appears as an explanatory variable. The observation that a number of people who default have higher rates on their mortgages is more likely attributable to the historical credit risk of that particular borrower than the likelihood that he or she was a victim of predatory lending.

The Federal Reserve and others have looked at this question, and continue to do so, with much better information than that which is available to these groups. As the 2005 Federal Reserve report pointed out, several factors impact the mortgage rate that a particular borrower receives. The traditional benchmark for the 30-year fixed mortgage rate has been the 10-year Treasury rate. Mortgages typically trade at a spread above Treasuries, due to the fact that they bear both credit risk, the risk that a borrower may default, and prepayment risk, the risk to the investor that the borrower may refinance or move, thereby paying the loan off well ahead of its stated maturity.

Thus, a premium to account for a borrower's expected credit and prepayment risk is used in calculating price. These factors include: credit scores and other items from a borrower's credit report such as payment history on prior mortgages, loan-to-value ratios, debt-to-income ratios, and other underwriting variables. Objective risk factors are powerful predictors both of a borrower's likelihood to pay on their loan and their likelihood to refinance. It is illegal to include any racial, ethnic, or other such demographic variables in the pricing decision.

Another element in the price is the amount of administrative expenses associated with the loan. Loan applications that take additional time for an originator to complete are more costly. Additionally, small loans are more expensive to originate from the point of view of the originator, as the fixed costs are spread over a smaller balance.

Typically, the price is arrived at using a statistical model, which may be embedded in an automated underwriting system. There is no place for race in this modeling. Moreover, the use of automated underwriting for most borrowers allows lenders to concentrate their attention on helping borrowers with unique credit histories or other characteristics qualify for financing.

One thing that is very clear is that the mortgage markets are dynamic and so are the underwriting models. The variables used to measure risk change over time. There is no perfect model to underwrite all borrowers. Two lenders will evaluate the same borrower and come to different assessments regarding the risks of that borrower. Not all institutions are equally profitable – in fact, some fail as a result of taking not enough or too much risk. One thing is certain: a one-size-fits-all model imposed on the industry would stifle innovation with respect to the measurement and pricing of risk, and that would be to the detriment of consumers. The innovation in this industry has benefited borrowers and increased the supply of credit, ultimately resulting in a higher level of homeownership than otherwise would have been the case.

Consumer Education and Shopping

If the goal is to ensure that a borrower is getting a good deal, then there is no better approach than to empower the borrower to make that determination for himself or herself. MBA believes that borrowers would be far better off if they educated themselves about the mortgage process and shopped among lenders for the best loan product to meet their needs before they begin the process of finding a home. During the educational process, it is best for a consumer to learn about the range of loan products and the importance of his or her own credit profile in arriving at the mortgage's costs. Consumers can then determine what type of financing is both suitable and realistic. MBA believes that armed with a basic understanding of the mortgage process, an ability to compare loans, and a willingness to shop, a consumer will be in a far better position to choose the right mortgage for his or her financial situation and family needs.

In addition, the determination of a borrower's mortgage rate does depend to some degree on the borrower's actions. Borrowers who aggressively shop among more than one lender are likely to get a better rate than borrowers who visit only one lender or mortgage broker. Borrowers need to make the competitive marketplace work for them and help wring out any excesses in pricing through their comparison shopping efforts. The 2004 Home Mortgage Disclosure Act data showed more than 8,800 lenders who offered more than 100 loans over the course of the year. These lenders are competing for the business.

To give borrowers the tools they need to negotiate a good deal and to bridge any information asymmetry that might exist between a borrower and a mortgage originator, MBA urges that policymakers work with the industry to take three actions: (1) create a simple, one page disclosure of material mortgage terms, (2) commit resources to financial literacy, and (3) encourage borrowers to shop and compare mortgages. MBA also fully supports the prosecution of bad actors.

MBA's research has shown that homebuyers, particularly first-time homebuyers, rely on a trusted advisor, who may have an adverse incentive, to help them through the complex process of buying a home and getting a mortgage. Too often, MBA believes, these new buyers, and particularly minority first-time homebuyers, either contact only one lender or mortgage broker, or are referred by a real estate agent to only one lender or broker while shopping for a mortgage. Borrowers more experienced in the process are generally more likely to seek additional rate quotes.

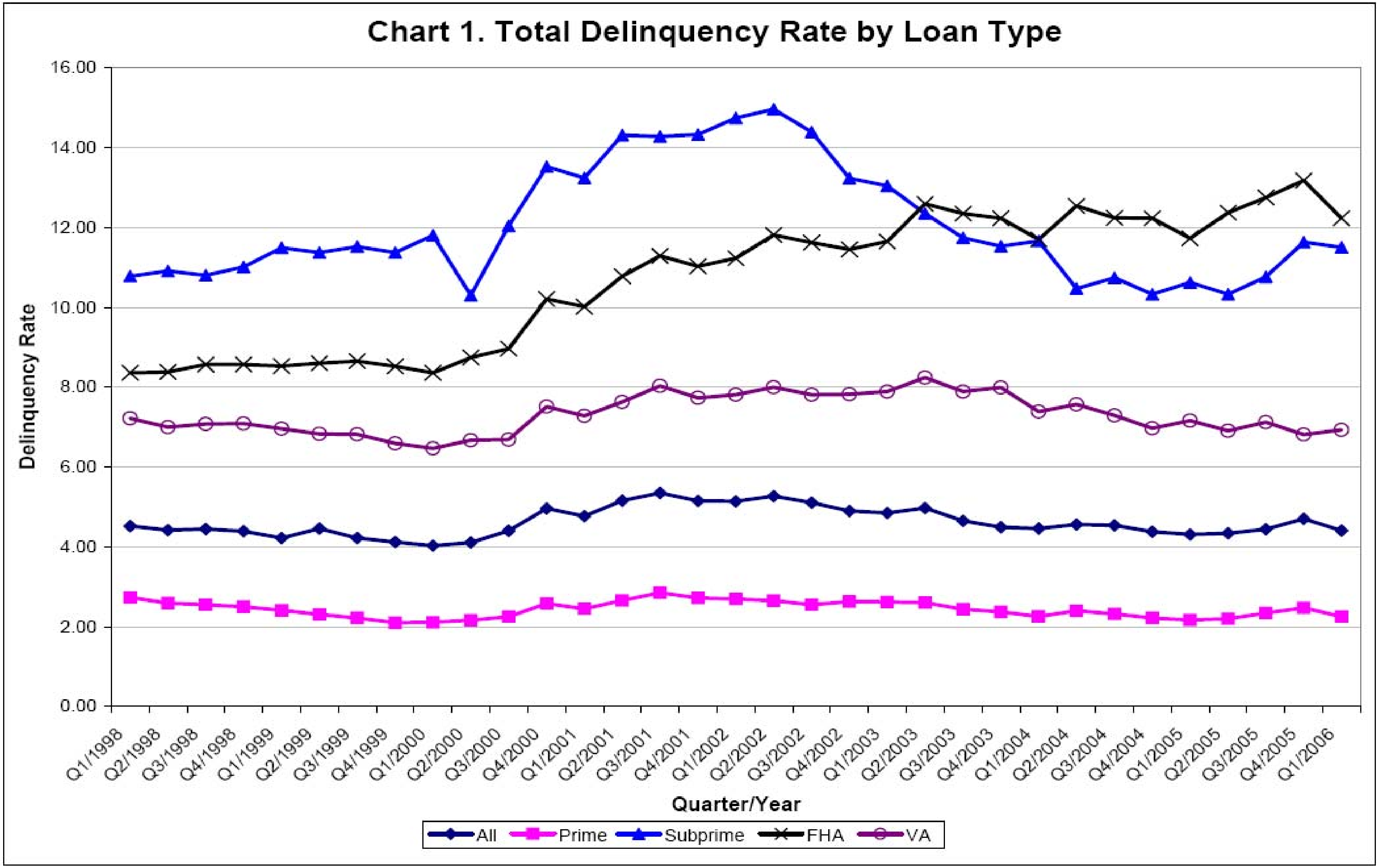
It is clear that Cuyahoga County faces many obstacles in turning around the current economic downturn. Although legislative efforts to go after predatory lenders seem attractive, it is apparent that such patchwork fixes will provide little relief. In fact, without a stable economy and an influx of stable jobs, legislation reducing the options available to consumers will most likely add to the current foreclosure crisis.

MBA is devoting considerable resources to support consumer education programs, as well as running our own. MBA's consumer education website, HomeLoanLearningCenter.com, includes mortgage calculators and background documents that provide the types of information we believe a potential borrower should be familiar with, preferably before they even start shopping for a house.

Thank you for again for inviting me to present the views of MBA before the Committee. We have a strong commitment to working with stakeholders, policymakers, and the industry, to ensure consumers are provided with a healthy, competitive, and safe marketplace.

Appendix

- Chart 1: Total Delinquency Rate by Loan Type
- Chart 2: Foreclosure Inventory Percentage by Loan Type
- Chart 3: New Foreclosure Percentage by Loan Type
- Chart 4: Seriously Delinquent Rate by Loan Type
- Chart 5: Total Delinquency Rate by ARM & Fixed
- Chart 6: Foreclosure Inventory Percentage by ARM & Fixed
- Chart 7: New Foreclosure Percentage by ARM & Fixed
- Chart 8: Seriously Delinquent Rate by ARM & Fixed
- Map 1: Total Loans Past Due Rates by State (Q1, 2006)
- Map 2: Foreclosure Inventory by State (Q1, 2006)



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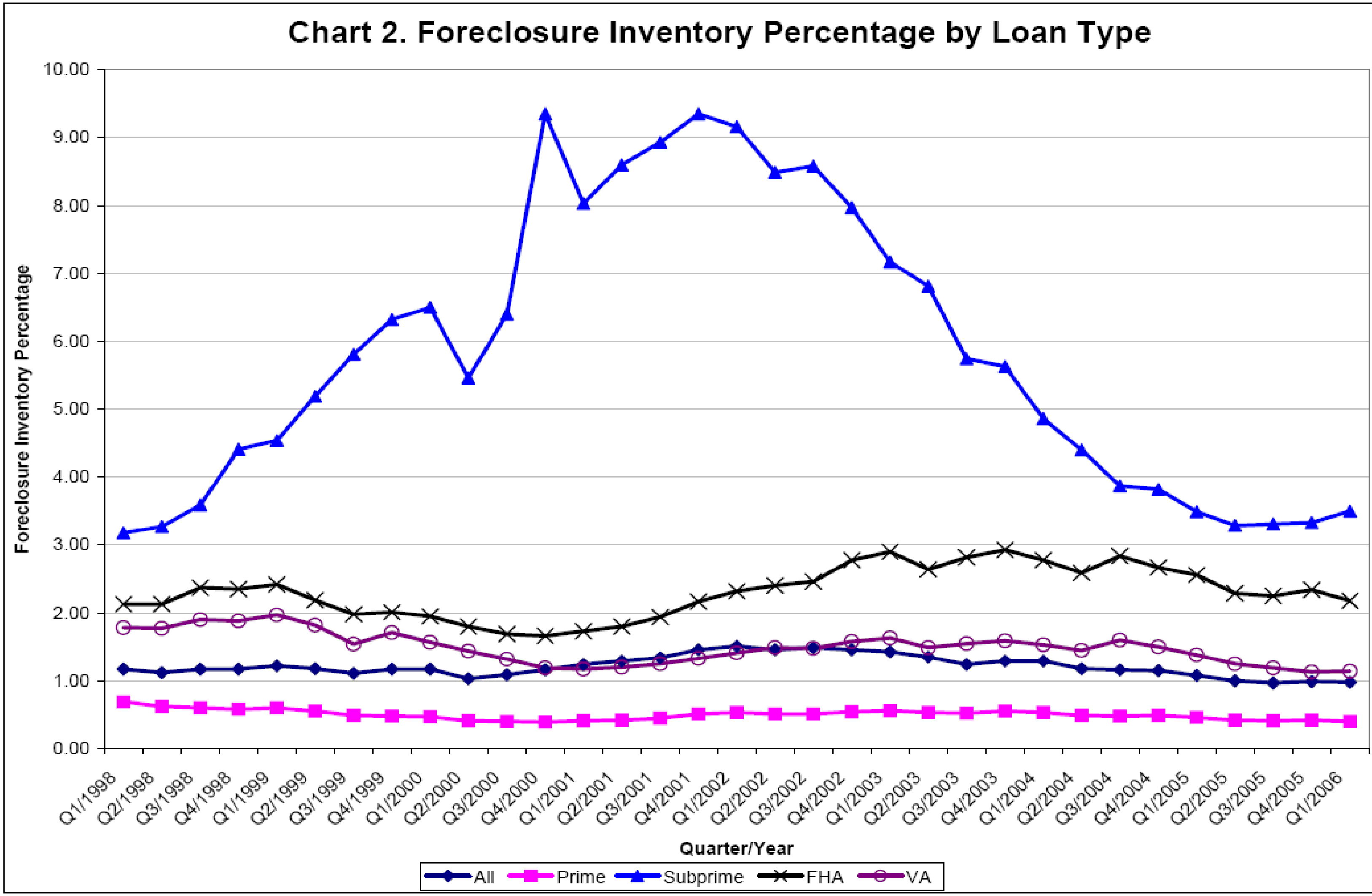

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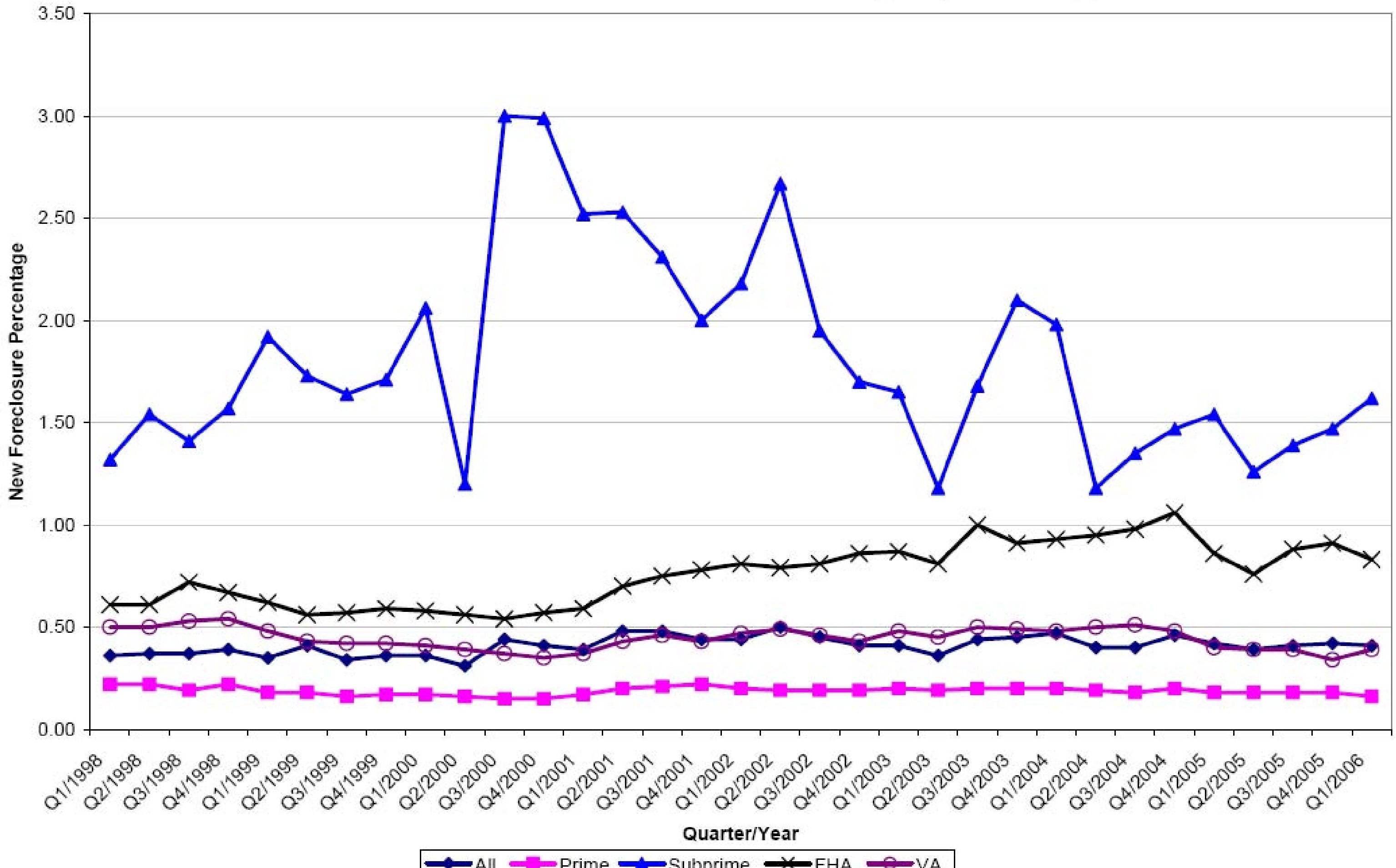
Chart 3. New Foreclosure Percentage by Loan Type



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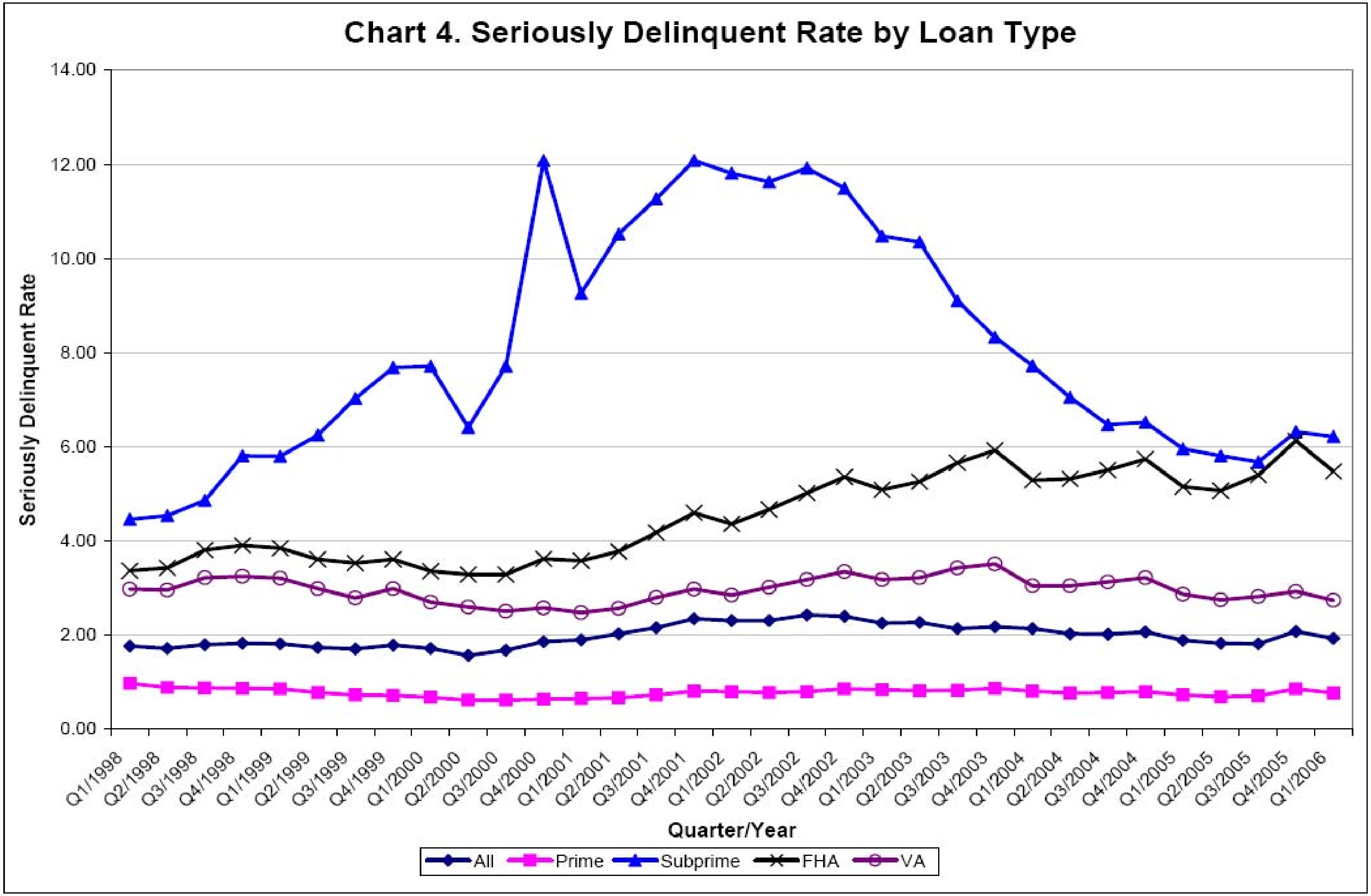

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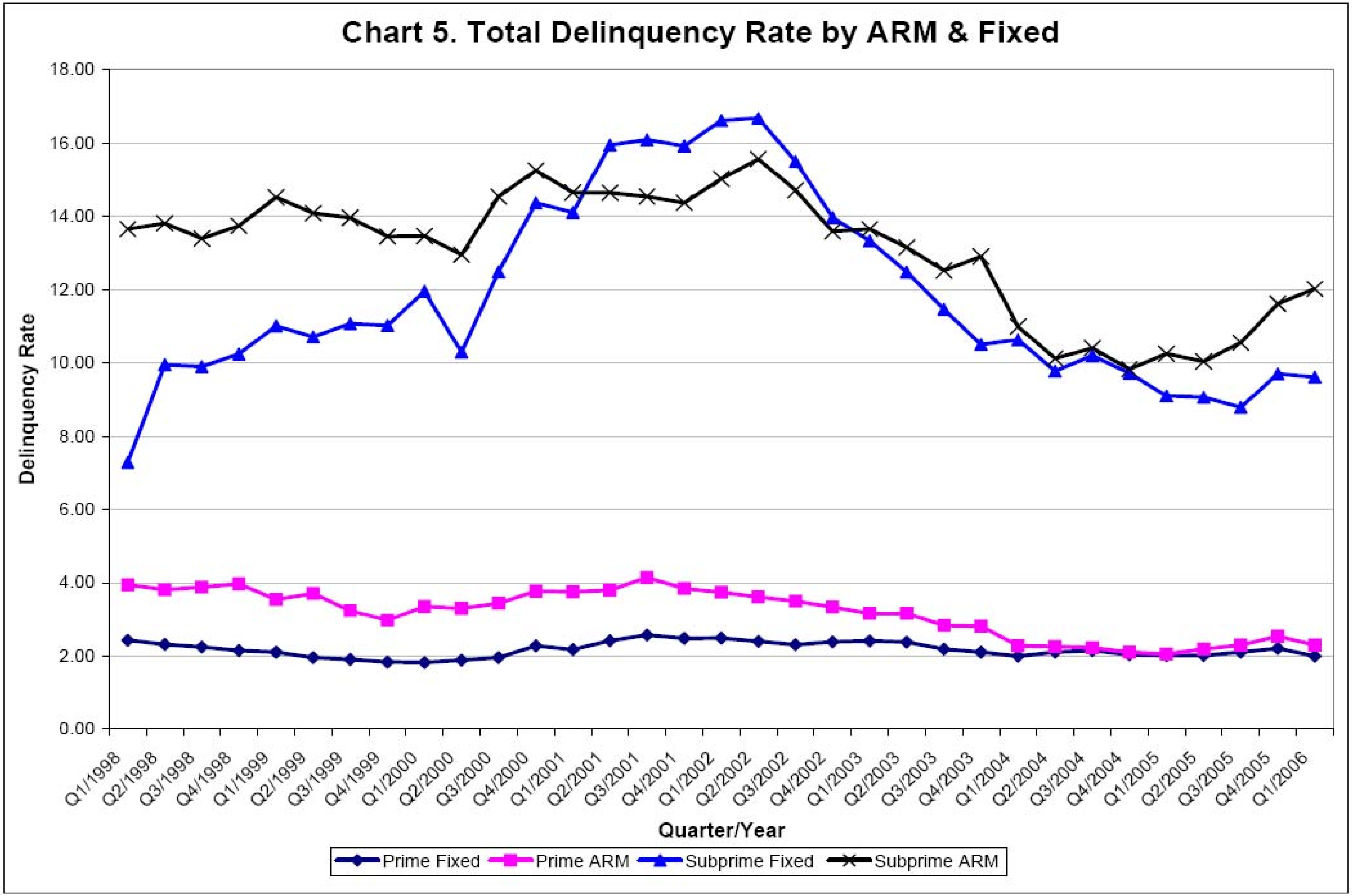

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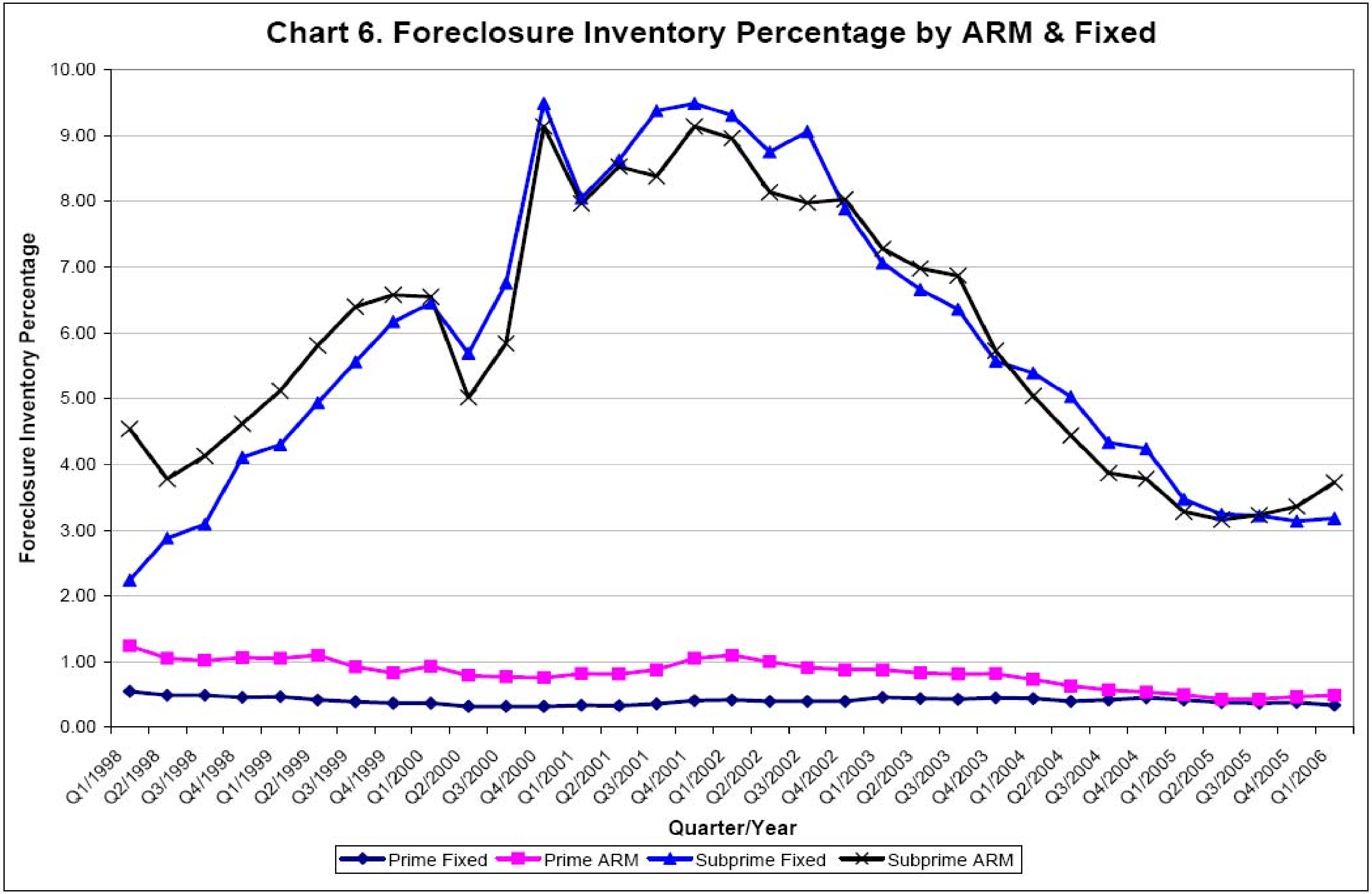

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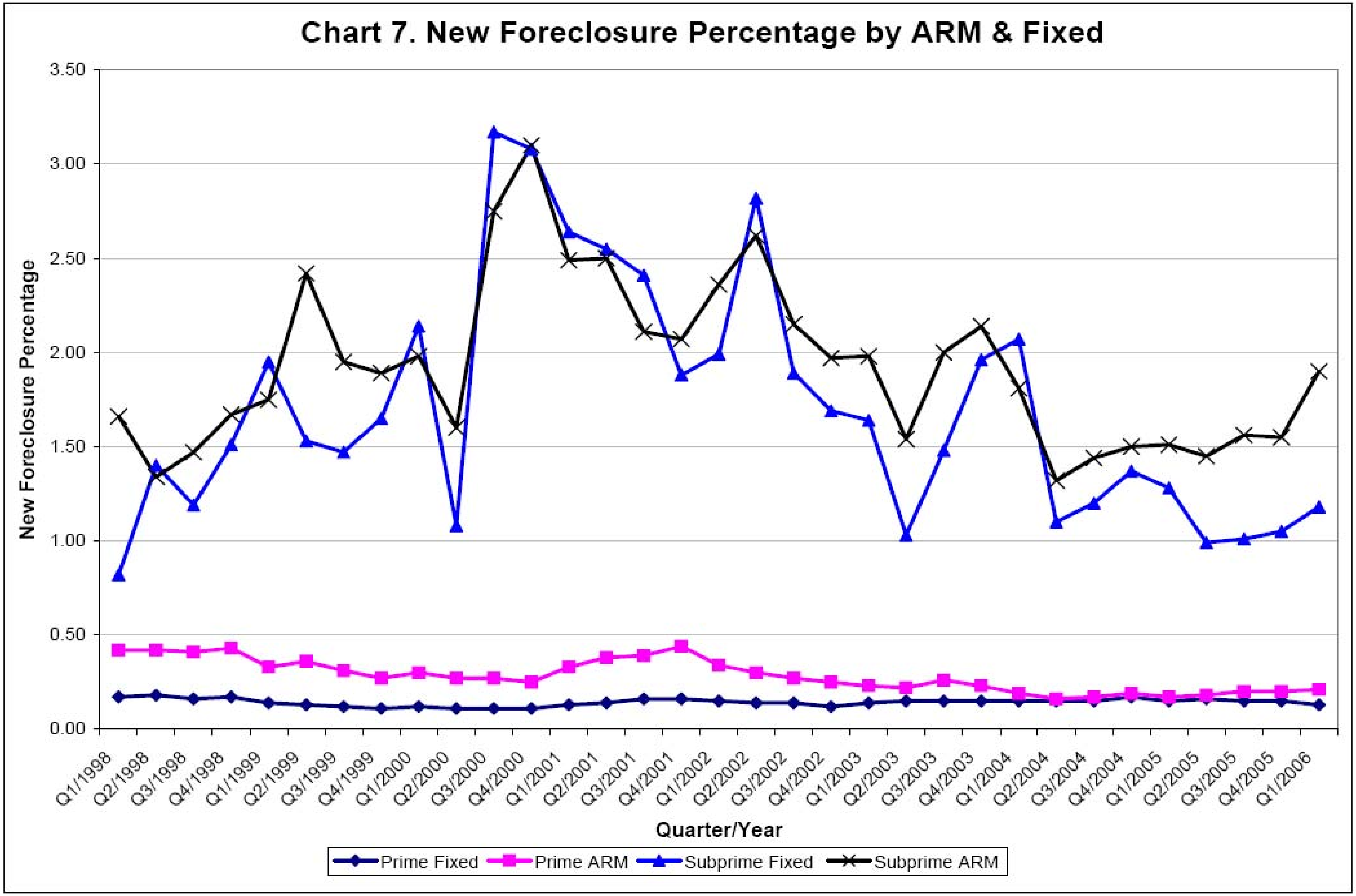

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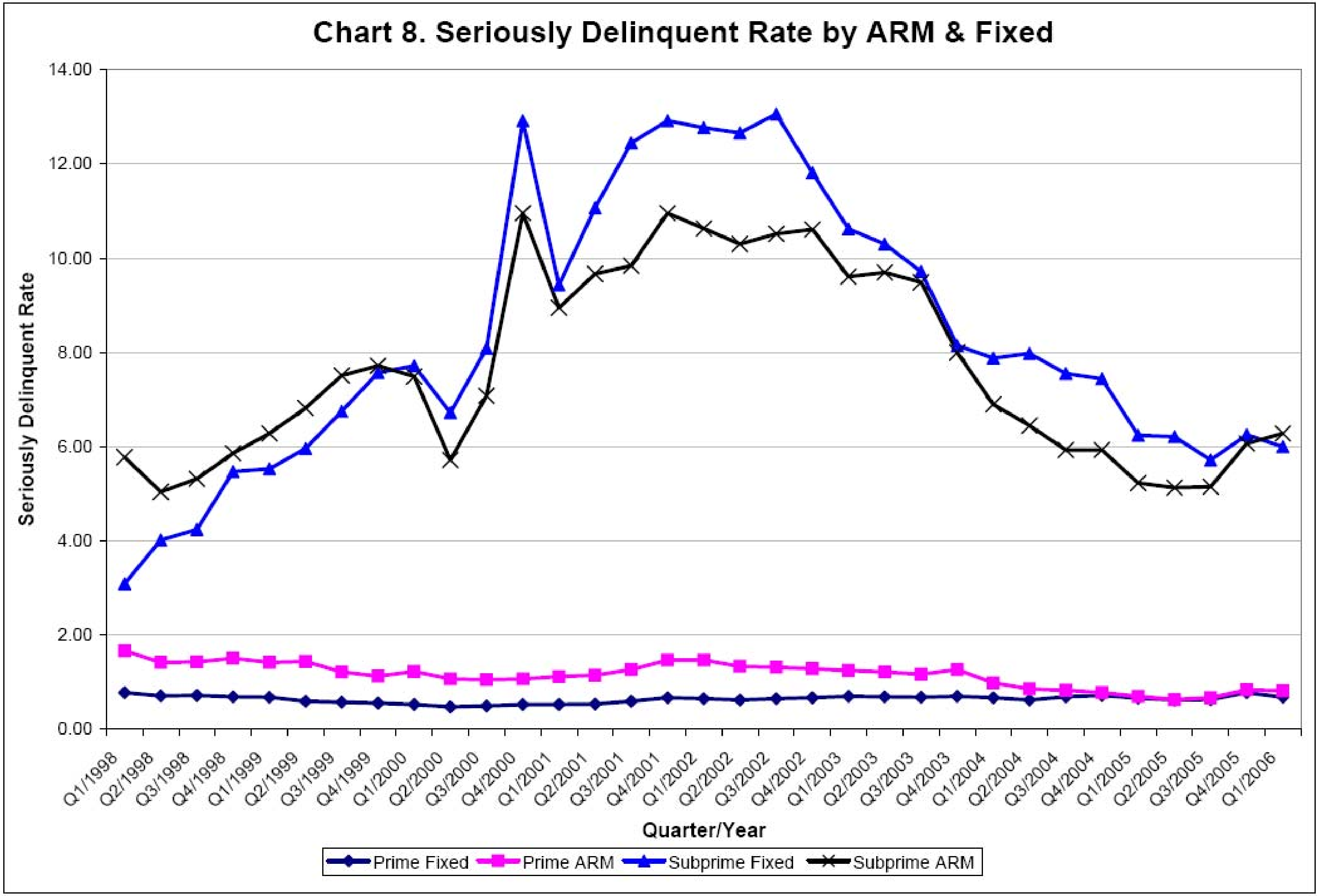

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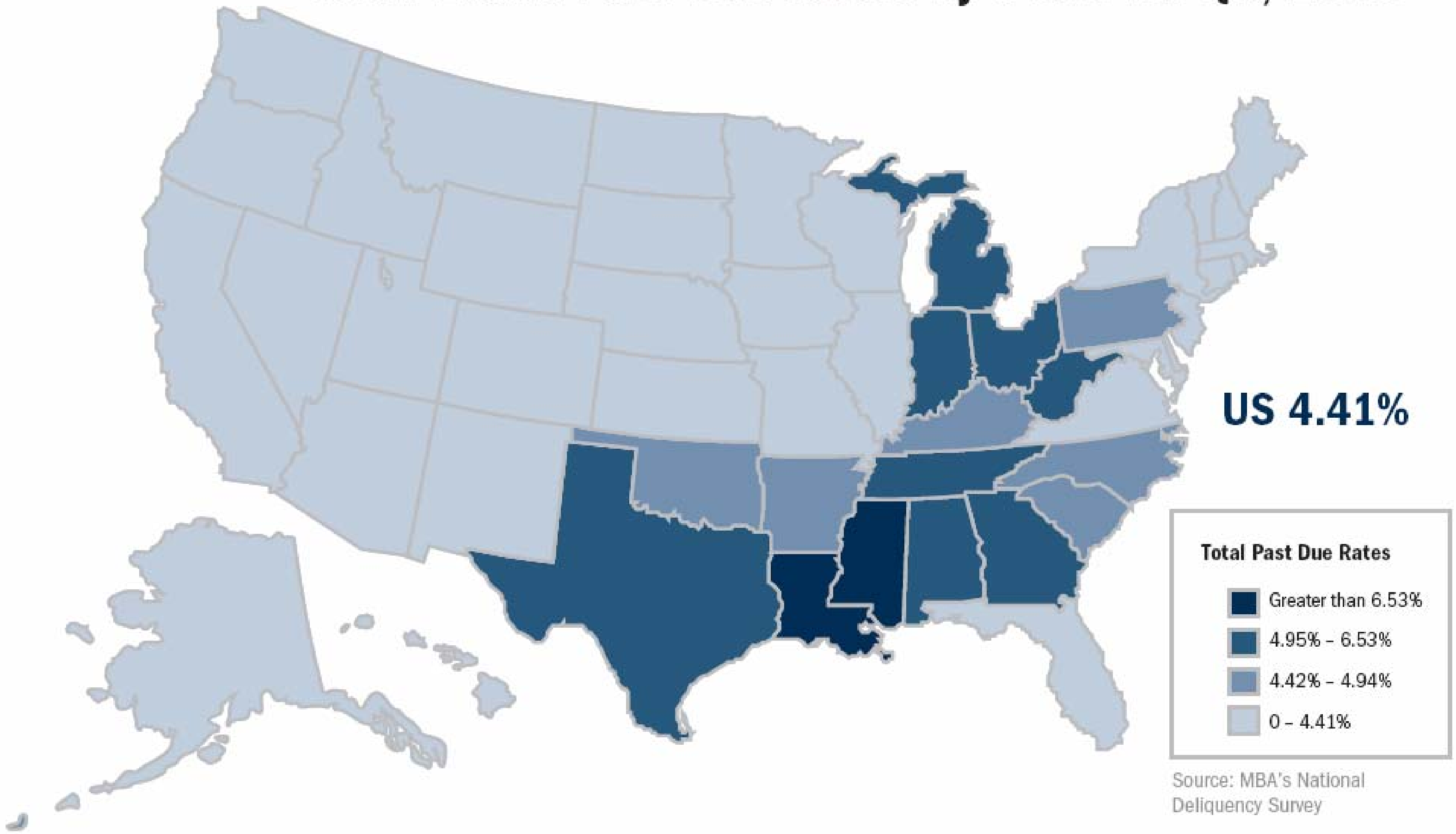
Total Loans Past Due Rates by State for Q1, 2006



Source: MBA's National Deliquency Survey

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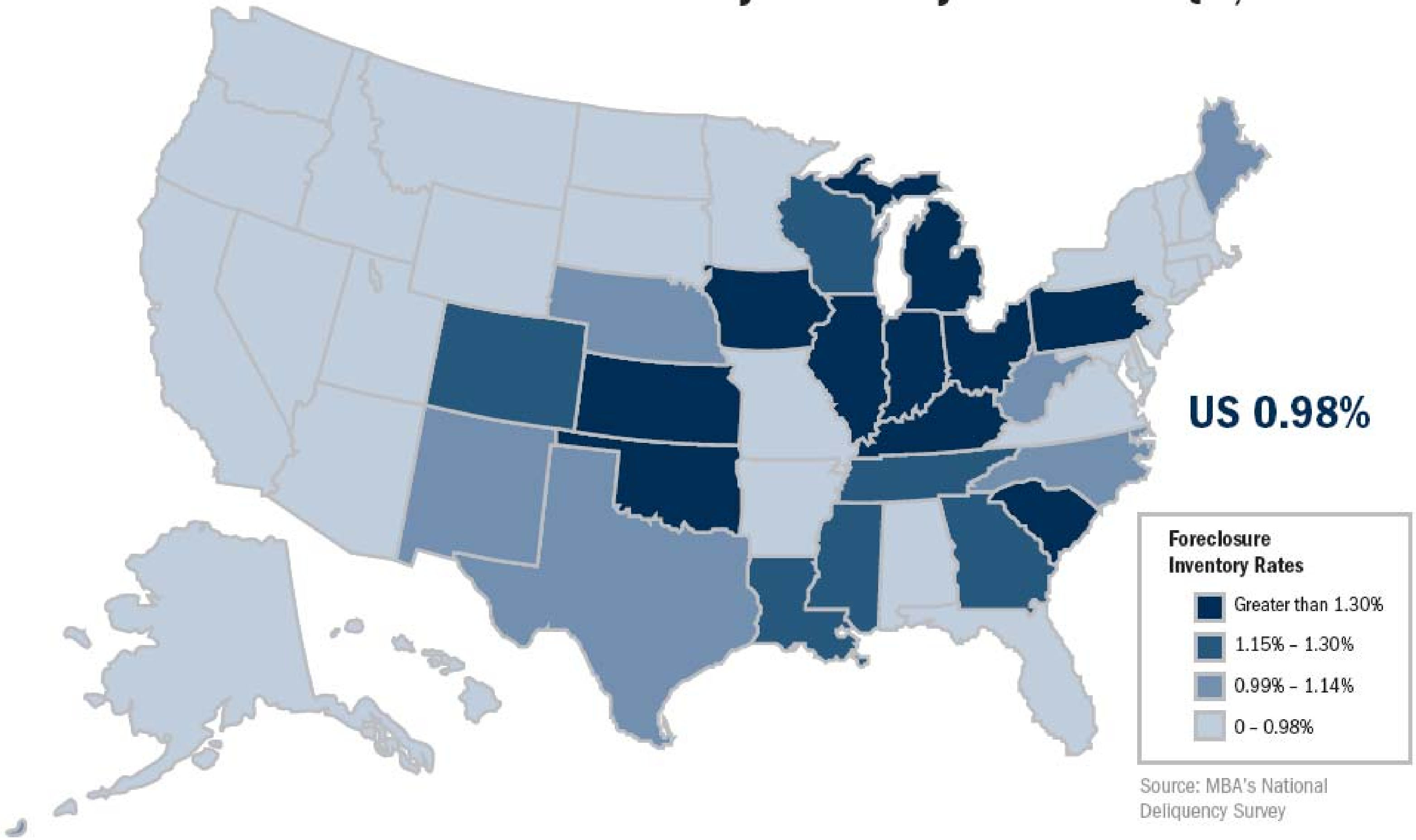
Foreclosure Inventory Rates by State for Q1, 2006



Source: MBA's National Deliquency Survey

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